

AUDITING PROCEDURES REPORT

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Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Sebewaing	County Huron
Audit Date March 31, 2004	Opinion Date June 30, 2004	Date Accountant Report Submitted to State: August 31, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGR).			X

Certified Public Accountant (Firm Name) Nietzke & Faupel, P.C.			
Street Address 41 East Main Street	City Sebewaing	State MI	ZIP 48759
Accountant Signature <i>Spencer E. Faupel, CPA</i>			

**TOWNSHIP OF SEBEWAING
HURON COUNTY, MICHIGAN
SEBEWAING, MICHIGAN**

**FINANCIAL REPORT
MARCH 31, 2004**

TOWNSHIP OF SEBEWAING, HURON COUNTY, MICHIGAN

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REPORT OF INDEPENDENT AUDITORS

To the Honorable Township Board
Township of Sebewaing, Huron County
Sebewaing, Michigan

We have audited the accompanying general purpose financial statements of the Township of Sebewaing, Huron County, Michigan as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Sebewaing, Huron County, Michigan management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township of Sebewaing has not maintained a record of its general fixed assets and accordingly a statement of general fixed assets, required by generally accepted accounting principles, is not included in the financial report.

In our opinion, except for the effects of certain practices relating to accounting for capital expenditures as described in the preceding paragraph, which results in an incomplete presentation, the general purpose financial statements referred to above present fairly the financial position of the Township of Sebewaing, Huron County, Michigan, at March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Township of Sebewaing, Huron County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Nietzke & Faupel, PC

NIETZKE & FAUPEL, P.C.
SEBEWAING, MICHIGAN

June 30, 2004

GENERAL PURPOSE FINANCIAL STATEMENTS

TOWNSHIP OF SEBEWAING, HURON COUNTY, MICHIGAN
COMBINED BALANCE SHEET - ALL GOVERNMENTAL FUND TYPES
MARCH 31, 2004

	<u>GOVERNMENTAL FUND TYPES</u>		<u>TOTALS</u> <u>(MEMORANDUM ONLY)</u>	
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>MARCH 31,</u> <u>2004</u>	<u>2003</u>
ASSETS				
Cash	\$ 723,747	\$ 357,982	\$ 1,081,729	\$ 1,036,463
Taxes receivable	24,846		24,846	23,569
Special assessment receivable - Canal dredging	14,478		14,478	26,143
Accounts receivable		50,584	50,584	36,546
Allowance for doubtful accounts		(38,187)	(38,187)	(16,246)
Accrued interest receivable	136		136	148
Prepaid insurance	7,708	12,272	19,980	17,096
Advance to other funds	28,120		28,120	34,120
TOTAL ASSETS	<u>\$ 799,035</u>	<u>\$ 382,651</u>	<u>\$ 1,181,686</u>	<u>\$ 1,157,839</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES:				
Bank overdraft		\$ 14,214	\$ 14,214	\$ 13,750
Accounts payable	\$ 2,898	2,021	4,919	9,886
Advance from other funds		28,120	28,120	34,120
TOTAL LIABILITIES	<u>2,898</u>	<u>44,355</u>	<u>47,253</u>	<u>57,756</u>
FUND EQUITY:				
Fund balance - Reserved	28,120		28,120	34,120
Fund balance - Unreserved	768,017	338,296	1,106,313	1,065,963
TOTAL FUND EQUITY	<u>796,137</u>	<u>338,296</u>	<u>1,134,433</u>	<u>1,100,083</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 799,035</u>	<u>\$ 382,651</u>	<u>\$ 1,181,686</u>	<u>\$ 1,157,839</u>

The accompanying notes are an integral
part of the financial statements.

TOWNSHIP OF SEBEWAING, HURON COUNTY, MICHIGAN

**COMBINED STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED MARCH 31, 2004**

	<u>GOVERNMENTAL FUND TYPES</u>		<u>TOTALS</u> <u>(MEMORANDUM ONLY)</u>	
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>MARCH 31,</u>	
			<u>2004</u>	<u>2003</u>
REVENUE:				
Taxes	\$ 96,116	\$424,259	\$ 520,375	\$ 529,013
Intergovernmental	83,715	40,190	123,905	96,581
Fines		18,880	18,880	33,818
Charges for services		39,546	39,546	40,813
Miscellaneous	26,012	51,410	77,422	89,902
TOTAL REVENUE	<u>205,843</u>	<u>574,285</u>	<u>780,128</u>	<u>789,927</u>
EXPENDITURES:				
Township board	5,012		5,012	3,190
Supervisor	15,425		15,425	9,139
Elections	35		35	3,474
Assessor	9,202		9,202	9,528
Clerk	53,848		53,848	37,018
Board of review	910		910	1,062
Treasurer	14,638		14,638	11,852
Township hall and grounds	13,971		13,971	12,201
Drains at large	2,514		2,514	2,249
Planning and zoning	481		481	650
Zoning administrator	660		660	
Airport	14,830		14,830	14,049
Capital outlay	62,465	59,560	122,025	466,121
Emergency services		107,998	107,998	97,681
Library		93,691	93,691	88,590
Fire equipment sinking		200	200	215
Roads		290,338	290,338	336,029
TOTAL EXPENDITURES	<u>193,991</u>	<u>551,787</u>	<u>745,778</u>	<u>1,093,048</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>11,852</u>	<u>22,498</u>	<u>34,350</u>	<u>(303,121)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfer in		180,000	180,000	87,331
Operating transfer out	(180,000)		(180,000)	(87,331)
TOTAL FINANCING SOURCES	<u>(180,000)</u>	<u>180,000</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUE AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	<u>(168,148)</u>	<u>202,498</u>	<u>34,350</u>	<u>(303,121)</u>
FUND BALANCE-APRIL 1	<u>964,285</u>	<u>135,798</u>	<u>1,100,083</u>	<u>1,403,204</u>
FUND BALANCE-MARCH 31	<u>\$ 796,137</u>	<u>\$338,296</u>	<u>\$ 1,134,433</u>	<u>\$1,100,083</u>

The accompanying notes are an integral part of the financial statements.

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF SEBEWAING, HURON COUNTY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity:

In evaluating how to define the Township of Sebewaing for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic—but not the only—criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Township of Sebewaing is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Township of Sebewaing reporting entity.

Excluded from the reporting entity:

Unionville Sebewaing School District - This potential component unit has a separate elected board and provides educational services to residents of the local area. The School District is excluded from the reporting entity because the Township of Sebewaing does not have the ability to exercise influence or control over its daily operations, approve budgets or provide funding.

Sebewaing Harbor Commission - The Township of Sebewaing along with the Village of Sebewaing created this separate legal entity for the purpose of planning, acquiring, constructing and operating a community harbor to provide recreational services to the residents of the Township of Sebewaing and the Village of Sebewaing along with the general public. Each governing body appointed three members to create a six member Board of Commissioners. Based on the criteria for determining which component units to include in the reporting entity, the Township of Sebewaing management has excluded the Harbor Commission from the reporting entity of the Township of Sebewaing. However, because of the financial interest and responsibility the Township of Sebewaing and the Village of Sebewaing equally share for the Harbor Commission, the Harbor Commission is being treated as a joint venture between the Township of Sebewaing and the Village of Sebewaing. The investment in the joint venture has been included in the General Fund as a capital outlay and further disclosures related to the investment in the joint venture are included in Note 8.

Fund Accounting:

The accounts of the Township of Sebewaing are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenue and expenditures. The following funds are used by the Township:

Governmental Funds:

General Fund - The General Fund is the general operating fund for the Township of Sebewaing. It is used to account for all financial resources except those required to be accounted for in another fund.

TOWNSHIP OF SEBEWAING, HURON COUNTY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The Emergency Services Fund is a special revenue fund used to account for revenue from charges for service and current property taxes allocated to provide ambulance and fire fighting services to Township residents. The Library Fund is a special revenue fund used to account for revenue from state penal fines and current property taxes allocated to the operation of the Township of Sebewaing Library. The Fire Equipment Sinking Fund is a special revenue fund used to account for current property taxes allocated to purchase fire and ambulance equipment. The Road Fund is a special revenue fund used to account for revenue from current property taxes allocated to provide for maintenance and construction of Township of Sebewaing roads.

"Totals - (Memorandum Only)":

The "Memorandum Only" total column represents the aggregate total of the various columnar statements by fund types. This total column is not comparable to a consolidation and, therefore, does not present consolidated information.

Basis of Accounting:

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied. All governmental funds are accounted for using the modified accrual basis of accounting. Their revenue is recognized when it becomes measurable and available as net current assets. Property taxes are recorded as revenue when levied to the extent that they are measurable and available in accordance with NCGA interpretation 3 (Revenue Recognition - Property Taxes). Licenses and permits, fines and miscellaneous revenue are recorded when received in cash because they are generally not measurable until actually received. Intergovernmental revenue and interest income are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Budgets and Budgetary Accounting:

The Township of Sebewaing Board follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the Township Act, prior to March 1, the Township of Sebewaing Clerk submits to the Township of Sebewaing Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The Township Act requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.

TOWNSHIP OF SEBEWAING, HURON COUNTY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Budgets and Budgetary Accounting: (CONTINUED)

2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to March 31, the budget is legally enacted through passage of a budget resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse at the end of each fiscal year.
7. The Township of Sebewaing Board may authorize supplemental appropriations during the year. The budget was not amended during the fiscal year.

Property Taxes:

Property taxes attach as an enforceable lien on property as of December 31. Township of Sebewaing taxes are levied on the following December 1 and are payable without penalty through February 14. The Township of Sebewaing bills and collects its own property taxes and also taxes for the County and several school districts within its jurisdiction. Collections and remittances of the county and school taxes are accounted for in the Current Tax Agency Fund. Township of Sebewaing property tax revenues are recognized as revenues in the fiscal year levied to the extent that they are measurable and available in accordance with NCGA interpretation 3 (Revenue Recognition - Property Taxes).

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS:

P. A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township of Sebewaing expenditures and budgeted expenditures for the budgetary funds have been shown on a line item basis. The approved budgets of the Township of Sebewaing for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2004, the following expenditures were in excess of the amount appropriated for the year:

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>UNFAVORABLE VARIANCE</u>
GENERAL FUND:			
Drains at large	\$ 0	\$ 2,514	\$ 2,514
Planning and zoning board	0	481	481
Zoning administrator	600	660	60
EMERGENCY SERVICES:			
Fire department	65,294	78,174	12,880
LIBRARY FUND	89,915	107,719	17,804
ROAD FUND	266,200	290,338	24,138

TOWNSHIP OF SEBEWAING, HURON COUNTY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2004

NOTE 3 - CASH AND DEPOSITS:

The carrying amount of cash and deposits with financial institutions of the Township of Sebewaing amounted to \$1,067,515 at March 31, 2004. The total bank balance as of the same date was \$1,584,646. Deposits with financial institutions are categorized as follows:

Amount insured by the FDIC	\$ 725,046
Uncollateralized	859,600
Total deposits with financial institutions	<u>1,584,646</u>
Cash on hand	<u>404</u>
Total deposits and cash on hand	<u>\$1,585,050</u>

All deposits categorized as uncollateralized are the property of the Township of Sebewaing.

The amount of uncollateralized deposits throughout the fiscal year did not significantly exceed the amount of uncollateralized deposits at March 31, 2004.

NOTE 4 - SPECIAL ASSESSMENT RECEIVABLE:

The Township of Sebewaing agreed to establish a special assessment district for the purpose of collecting funds for the dredging of a canal in the township. The total cost of the dredging and of establishing the special assessment district was estimated to be \$82,000. Assessments totaling \$82,000 were levied on the thirty-three parcels of land. The amount charged to each parcel was based on the frontage each parcel has on the canal. The assessments will be collected over a five-year period with the annual installments being billed on the taxpayer's annual township property tax bill. Interest, at the rate of 5.25%, will be charged on the unpaid balance of the assessments each year. The final installment is due in 2005. The property owners were given the option of paying the assessment in full and assessments totaling \$44,192 were collected under this option. The remaining assessment was set up as a receivable in the General Fund. The current and long term portions are \$11,665 and \$2,813 respectively.

NOTE 5 - ADVANCE TO OTHER FUNDS:

The General Fund advanced \$70,120 to the Library for the purchase of a building that is adjacent to the Library in 1997. The Library used the additional space to expand the Library. The new building also has residential rental apartment units. The terms of the loan are annual payments of at least \$6,000 including interest, at 4% per annum. The current balance is \$28,120. An amount equal to the unpaid balance of the advance has been reserved in the General Fund's Fund Balance.

NOTE 6 - CONTINGENT LIABILITY:

The Township of Sebewaing has elected to be a reimbursing employer for purposes of unemployment insurance claims. The Township of Sebewaing reimburses the State of Michigan for all benefits charged against it. Unemployment insurance claims are recognized as expense when incurred.

TOWNSHIP OF SEBEWAING, HURON COUNTY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2004

NOTE 7 - PENSION PLAN - DEFINED CONTRIBUTION:

The Township of Sebewaing contributed to the Manulife Plan for Governmental Employees, which is a defined contribution pension plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants benefits that may be allocated to such participant's account. As established by local ordinance, all elected officials, full-time library employees and ambulance service employees of the Township of Sebewaing must participate in the pension plan from the date they are officially elected or hired to their respective position. Contributions made by the Township of Sebewaing vest immediately. An employee who leaves the employment of the Township of Sebewaing is entitled to his or her contributions made by the Township of Sebewaing if vesting requirements are satisfied. No voluntary contributions are allowed and 100% of the contribution is made by the Township of Sebewaing. As determined by local ordinance, the Township of Sebewaing is required to contribute 7.5% of the employee's gross earnings to the pension plan.

The Township of Sebewaing total current year payroll was \$132,815 and the Township of Sebewaing total current year covered payroll was \$113,087 which is elected officials, full-time library employees, and ambulance service employees.

During the year, the Township of Sebewaing required and actual contributions amounted to \$8,237 which was 8.0% of its current-year covered payroll.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township of Sebewaing or its employees.

The Manulife Plan held no securities of the Township of Sebewaing or other related parties during the year or as of the close of the fiscal year ended March 31, 2004.

NOTE 8 - INVESTMENT IN JOINT VENTURE:

Currently, the Township of Sebewaing has invested \$82,624 in the Sebewaing Harbor Commission. The Township of Sebewaing does not maintain a General Fixed Assets Account Group which is where the investment would be reported. The Sebewaing Harbor Commission is being treated as a joint venture because the Township of Sebewaing shares equal financial and oversight responsibility with the Village of Sebewaing. The following is a condensed balance sheet of the Sebewaing Harbor Commission:

TOWNSHIP OF SEBEWAING, HURON COUNTY, MICHIGAN

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2004**

NOTE 8 - INVESTMENT IN JOINT VENTURE: (CONTINUED)

	<u>MARCH 31,</u> <u>2004</u>
ASSETS:	
Cash	\$ 1,421
Due from Sebewaing Township	974
TOTAL CURRENT ASSETS	2,395
 FIXED ASSETS	 178,440
 TOTAL ASSETS	 <u>\$180,835</u>
 LIABILITIES:	
Due to Village of Sebewaing	\$ 15,366
Deferred Revenue	221
TOTAL LIABILITIES	<u>15,587</u>
 FUND EQUITY:	
Contributed capital-Village	82,624
Contributed capital-Township	82,624
TOTAL FUND EQUITY	165,248
 TOTAL LIABILITIES AND FUND EQUITY	 <u>\$180,835</u>

The Village of Sebewaing and the Township of Sebewaing, on an equal basis, formed the Sebewaing Harbor Commission to construct a marina. The Township and the Village advanced funds to the Harbor Commission which was to be used for the purchase of land at the site of the marina. The construction of the marina was financed by grants from the State of Michigan.

The Township and Village advanced additional funds to the Sebewaing Harbor Commission for the purpose of purchasing the marina operating lease. The Sebewaing Harbor Commission will operate the marina under the terms of the lease with the State of Michigan.

NOTE 9 - RISK MANAGEMENT:

The Township of Sebewaing, Huron County, Michigan participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$3,100,076 for real and personal property losses and \$10 million for liability losses. The Township of Sebewaing, Huron County, Michigan is required to pay annual premiums to the Michigan Municipal Liability and Property Pool for the liability coverage. No supplemental premium assessment is required by the Michigan Municipal Liability and Property Pool. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

TOWNSHIP OF SEBEWAING, HURON COUNTY, MICHIGAN

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2004**

NOTE 9 - RISK MANAGEMENT: (CONTINUED)

Worker's Compensation:

The Township of Sebewaing, Huron County, Michigan, participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool for the coverage of losses related to worker's compensation claims. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$500,000. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

SUPPLEMENTAL INFORMATION

TOWNSHIP OF SEBEWAING, HURON COUNTY, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2004

	EMERGENCY SERVICES	LIBRARY	FIRE EQUIPMENT SINKING	ROAD	TOTALS MARCH 31, 2004	2003
ASSETS						
Cash		\$ 78,897	\$ 95,496	\$183,589	\$357,982	\$159,837
Accounts receivable	\$ 50,584				50,584	36,546
Allowance for doubtful accounts	(38,187)				(38,187)	(16,246)
Prepaid insurance	9,563	2,709			12,272	10,602
TOTAL ASSETS	<u>\$ 21,960</u>	<u>\$ 81,606</u>	<u>\$ 95,496</u>	<u>\$183,589</u>	<u>\$382,651</u>	<u>\$190,739</u>
LIABILITIES AND FUND EQUITY						
LIABILITIES:						
Bank overdraft	\$ 14,214				\$ 14,214	\$ 13,750
Accounts payable	810	\$ 1,211			2,021	7,071
Advance from other funds		28,120			28,120	34,120
TOTAL LIABILITIES	<u>15,024</u>	<u>29,331</u>			<u>44,355</u>	<u>54,941</u>
FUND EQUITY:						
Fund balance-Unreserved	6,936	52,275	\$ 95,496	\$183,589	338,296	135,798
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 21,960</u>	<u>\$ 81,606</u>	<u>\$ 95,496</u>	<u>\$183,589</u>	<u>\$382,651</u>	<u>\$190,739</u>

**TOWNSHIP OF SEBEWAING, HURON COUNTY, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE
YEAR ENDED MARCH 31, 2004**

	EMERGENCY SERVICES	LIBRARY	FIRE EQUIPMENT SINKING	ROAD	TOTALS MARCH 31, 2004	2003
REVENUE:						
Taxes	\$ 73,308	\$ 36,853	\$ 18,407	\$295,691	\$424,259	\$431,315
Intergovernmental	36,464	3,726			40,190	7,233
Fines		18,880			18,880	33,618
Charges for services	39,546				39,546	40,813
Miscellaneous	905	42,125	4,728	3,652	51,410	58,974
TOTAL REVENUE	150,223	101,584	23,135	299,343	574,285	571,953
EXPENDITURES:						
Emergency services	107,998				107,998	97,681
Library		93,691			93,691	88,590
Fire equipment sinking			200		200	215
Roads				290,338	290,338	336,029
Capital outlay	45,532	14,028			59,560	127,947
TOTAL EXPENDITURES	153,530	107,719	200	290,338	551,787	650,462
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(3,307)	(6,135)	22,935	9,005	22,498	(78,509)
OTHER FINANCING SOURCES (USES)						
Operating transfer in			30,000		180,000	87,331
Operating transfer out				150,000		(87,331)
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	(3,307)	(6,135)	52,935	159,005	202,498	(78,509)
FUND BALANCE-APRIL 1	10,243	58,410	42,561	24,584	135,798	214,307
FUND BALANCE-MARCH 31	\$ 6,936	\$ 52,275	\$ 95,496	\$183,589	\$338,296	\$135,798

TOWNSHIP OF SEBEWAING, HURON COUNTY, MICHIGAN

**EMERGENCY SERVICES FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Taxes-Current property tax	\$ 73,800	\$ 73,308	\$ (492)
Intergovernmental:			
Grants from county	3,600	3,600	
FEMA grant		32,864	32,864
Charges for services	50,000	39,546	(10,454)
Miscellaneous - Interest earnings		905	905
TOTAL REVENUE	<u>127,400</u>	<u>150,223</u>	<u>22,823</u>
EXPENDITURES:			
Ambulance :			
Salaries and wages	35,500	40,989	(5,489)
Taxes-FICA	1,000	644	356
Pension contribution	3,000	2,848	152
Supplies	7,500	7,586	(86)
Professional fees		600	(600)
Physicals and medical	200		200
Telephone	2,000	2,073	(73)
Insurance	5,465	5,166	299
Repairs and maintenance	3,500	3,297	203
Miscellaneous	800	271	529
Mileage	600	612	(12)
Education and training	6,000	4,884	1,116
Bad debts	3,000	40	2,960
Billing fee	6,000	3,874	2,126
Capital outlay	10,000	2,472	7,528
Total Ambulance	<u>84,565</u>	<u>75,356</u>	<u>9,209</u>
Fire Department:			
Salaries and wages	15,000	17,117	(2,117)
Taxes-FICA	2,000	1,880	120
Supplies	2,000	930	1,070
Professional fees	500	600	(100)
Telephone	500	562	(62)
Gas and oil	2,000	1,981	19
Insurance	9,294	8,452	842
Repairs and maintenance	5,000	2,557	2,443
Miscellaneous	100		100
Mileage	1,500	865	635
Dues and memberships	200	125	75
Physicals and medical	200	45	155
Education and training	2,000		2,000
Capital outlay	25,000	43,060	(18,060)
Total Fire Department	<u>65,294</u>	<u>78,174</u>	<u>(12,880)</u>
TOTAL EXPENDITURES	<u>149,859</u>	<u>153,530</u>	<u>(3,671)</u>

TOWNSHIP OF SEBEWAING, HURON COUNTY, MICHIGAN

**EMERGENCY SERVICES FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES	<u>(22,459)</u>	<u>(3,307)</u>	<u>19,152</u>
FUND BALANCE-APRIL 1	10,243	10,243	
FUND BALANCE-MARCH 31	<u>\$ (12,216)</u>	<u>\$ 6,936</u>	<u>\$ 19,152</u>

TOWNSHIP OF SEBEWAING, HURON COUNTY, MICHIGAN

**LIBRARY FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE- BUDGET AND ACTUAL
YEAR END MARCH 31, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Taxes-Current property tax	\$ 35,000	\$ 36,853	\$ 1,853
Intergovernmental:			
State grant	3,600	3,726	126
Fines:			
Penal and book fines	21,000	18,880	(2,120)
Miscellaneous:			
Miscellaneous	2,000	2,724	724
Interest earnings	2,500	664	(1,836)
Contributions from private sources	3,000	14,038	11,038
Videos	5,000	5,939	939
Rent income - apartments	17,815	18,760	945
TOTAL REVENUE	<u>89,915</u>	<u>101,584</u>	<u>11,669</u>
EXPENDITURES:			
Salaries and wages	49,250	37,691	11,559
Employee benefits	800	14,765	(13,965)
Pension contribution	4,000	2,553	1,447
Supplies	2,500	3,154	(654)
Books, magazines and periodicals	9,700	11,907	(2,207)
Professional fees	1,200	1,250	(50)
Library participation fee	2,000	1,957	43
Telephone	1,700	1,307	393
Mileage	200		200
Insurance	2,900	3,246	(346)
Interest expense	1,365	1,365	-
Utilities	3,500	3,738	(238)
Repairs and maintenance	1,000	2,358	(1,358)
Miscellaneous	300	332	(32)
Capital outlay	1,500	14,028	(12,528)
Rental expenses-apartments	8,000	8,068	(68)
TOTAL EXPENDITURES	<u>89,915</u>	<u>107,719</u>	<u>(17,804)</u>
EXCESS OF REVENUE (UNDER)			
EXPENDITURES	<u>-</u>	<u>(6,135)</u>	<u>(6,135)</u>
FUND BALANCE-APRIL 1	<u>58,410</u>	<u>58,410</u>	
FUND BALANCE-MARCH 31	<u>\$ 58,410</u>	<u>\$ 52,275</u>	<u>\$ (6,135)</u>

TOWNSHIP OF SEBEWAING, HURON COUNTY, MICHIGAN

**FIRE EQUIPMENT SINKING FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Taxes:			
Current property tax	\$ 18,500	\$ 18,407	\$ (93)
Miscellaneous:			
Sale of assets		4,500	4,500
Interest earnings		228	228
TOTAL REVENUE	<u>18,500</u>	<u>23,135</u>	<u>4,635</u>
EXPENDITURES:			
Professional fees	300	200	100
TOTAL EXPENDITURES	<u>300</u>	<u>200</u>	<u>100</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>18,200</u>	<u>22,935</u>	<u>4,735</u>
OTHER FINANCING SOURCES:			
Operating transfer in	30,000	30,000	
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES	<u>48,200</u>	<u>52,935</u>	<u>4,735</u>
FUND BALANCE-APRIL 1	42,561	42,561	
FUND BALANCE-MARCH 31	<u>\$ 90,761</u>	<u>\$ 95,496</u>	<u>\$ 4,735</u>

TOWNSHIP OF SEBEWAING, HURON COUNTY, MICHIGAN

**ROAD FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Taxes - Current property tax	\$ 297,800	\$ 295,691	\$ (2,109)
Miscellaneous	<u>22,400</u>	<u>3,652</u>	<u>(18,748)</u>
TOTAL REVENUE	<u>320,200</u>	<u>299,343</u>	<u>(20,857)</u>
EXPENDITURES:			
Professional fees	500	300	200
Road brining	8,300	7,876	424
Brush spraying	1,000		1,000
Contributions to County Road Commission	256,400	282,162	(25,762)
TOTAL EXPENDITURES	<u>266,200</u>	<u>290,338</u>	<u>(24,138)</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>54,000</u>	<u>9,005</u>	<u>(44,995)</u>
OTHER FINANCING SOURCES:			
Operating transfer in	150,000	150,000	
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES	<u>204,000</u>	<u>159,005</u>	<u>(44,995)</u>
FUND BALANCE-APRIL 1	24,584	24,584	
FUND BALANCE-MARCH 31	<u>\$ 228,584</u>	<u>\$ 183,589</u>	<u>\$ (44,995)</u>

TOWNSHIP OF SEBEWAING, HURON COUNTY, MICHIGAN

**GENERAL FUND
SCHEDULE OF REVENUE
YEAR ENDED MARCH 31, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Taxes:			
Current property tax	<u>\$ 96,000</u>	<u>\$ 96,116</u>	<u>\$ 116</u>
Intergovernmental:			
State revenue sharing:			
Constitutional & Statutory	<u>93,500</u>	<u>83,715</u>	<u>(9,785)</u>
Miscellaneous:			
Interest earnings	20,000	14,998	(5,002)
Miscellaneous	800	2,287	1,487
Rentals-Airport	2,600	1,600	(1,000)
Gasoline-Airport	4,500	7,127	2,627
Total miscellaneous	<u>27,900</u>	<u>26,012</u>	<u>(1,888)</u>
TOTAL REVENUE	<u>\$217,400</u>	<u>\$205,843</u>	<u>\$ (11,557)</u>

TOWNSHIP OF SEBEWAING, HURON COUNTY, MICHIGAN

**GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED MARCH 31, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Township board:			
Salaries and wages	\$ 3,900	\$ 2,994	\$ 906
Taxes-FICA	50	20	30
Meetings and education	1,100	1,541	(441)
Mileage	100	167	(67)
Pension contribution	225	290	(65)
Total township board	<u>5,375</u>	<u>5,012</u>	<u>363</u>
Supervisor:			
Salaries and wages	6,350	5,289	1,061
Pension contribution	1,065	1,045	20
Meeting and education	2,400	1,617	783
Mileage	800	904	(104)
Miscellaneous	300	50	250
Assessment roll preparation	5,426	6,520	(1,094)
Professional Fees	1,000		1,000
Total supervisor	<u>17,341</u>	<u>15,425</u>	<u>1,916</u>
Elections:			
Supplies	500	13	487
Mileage	200	22	178
Repairs and maintenance	500		500
Miscellaneous	300		300
Total elections	<u>1,500</u>	<u>35</u>	<u>1,465</u>
Assessor:			
Salaries and wages	8,800	8,607	193
Miscellaneous	2,000	595	1,405
Total assessor	<u>10,800</u>	<u>9,202</u>	<u>1,598</u>
Clerk:			
Salaries and wages	8,880	7,822	1,058
Wages - Deputy clerk	800	838	(38)
Taxes - FICA	250	93	157
Pension contribution	2,090	591	1,499

TOWNSHIP OF SEBEWAING, HURON COUNTY, MICHIGAN

**GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED MARCH 31, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES: (CONTINUED)			
Clerk: (Continued)			
Meetings and education	1,000	398	602
Pension administrative fees	500		500
Supplies	5,587	5,318	269
Professional fees	6,000	3,130	2,870
Dues and memberships	3,000	1,526	1,474
Telephone	3,000	2,978	22
Mileage	500		500
Printing and publishing	3,000	1,850	1,150
Insurance	14,834	13,647	1,187
Miscellaneous	15,968	15,657	311
Total clerk	<u>65,409</u>	<u>53,848</u>	<u>11,561</u>
Board of review:			
Salaries and wages	900	910	(10)
Miscellaneous	150		150
Education	150		150
Mileage	50		50
Supplies	50		50
Total board of review	<u>1,300</u>	<u>910</u>	<u>390</u>
Board of appeals:			
Salaries and wages	300		300
Miscellaneous	50		50
Mileage	50		50
Total board of appeals	<u>400</u>		<u>400</u>
Treasurer:			
Salaries and wages	11,300	10,322	978
Wages - Deputy treasurer	250	382	(132)
Taxes - FICA	25	5	20
Pension contribution	600	591	9
Meetings and education	1,200		1,200
Supplies	1,000	683	317
Mileage	250	65	185
Miscellaneous	2,500	2,590	(90)
Total treasurer	<u>17,125</u>	<u>14,638</u>	<u>2,487</u>

(CONTINUED)

TOWNSHIP OF SEBEWAING, HURON COUNTY, MICHIGAN

**GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED MARCH 31, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES: (CONTINUED)			
Township hall and grounds:			
Supplies	500	240	260
Utilities	9,000	9,785	(785)
Repairs and maintenance	5,000	3,946	1,054
Miscellaneous	500		500
Total township hall and grounds	<u>15,000</u>	<u>13,971</u>	<u>1,029</u>
Drains at large:			
Contracted services		<u>2,514</u>	<u>(2,514)</u>
Planning and zoning board:			
Salaries and wages		<u>481</u>	<u>(481)</u>
Zoning administrator:			
Salaries and wages	<u>600</u>	<u>660</u>	<u>(60)</u>
Airport:			
Gas and oil	6,510	6,510	(0)
Gas - mower	500	415	85
Telephone	600	673	(73)
Insurance	5,000	4,834	166
Utilities	2,000	1,987	13
Repairs and maintenance	3,000	192	2,808
Taxes-State sales	500	169	331
Miscellaneous	1,000	50	950
Total airport	<u>19,110</u>	<u>14,830</u>	<u>4,280</u>
Capital outlay:			
Clerk	47,893	48,089	(196)
Township hall and grounds	88,000	14,376	73,624
Airport	2,000		2,000
Total capital outlay	<u>137,893</u>	<u>62,465</u>	<u>75,428</u>
TOTAL EXPENDITURES	<u>\$291,852</u>	<u>\$193,991</u>	<u>\$ 97,861</u>



Nietzke & Faupel, PC

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BRIAN V. HAZARD, CPA

CPA's On Your Team

To the Honorable Township Board
Township of Sebewaing, Huron County
Sebewaing, Michigan 48759

The following comments relate to situations brought to our attention during the course of our recent audit of the financial statements of the Township of Sebewaing, Sebewaing, Michigan, for the year ended March 31, 2004, and are submitted for your evaluation and consideration. We would like to emphasize that our audit was conducted for the purpose of expressing an opinion on the aforementioned financial statements, therefore, the following comments are not necessarily all inclusive.

CAPITALIZATION POLICY

At present, no formal policy for the capitalization of fixed assets exists for the Township of Sebewaing. This creates a possible situation where the following may occur:

- Asset purchases of individually significant amounts not being recorded as purchases of fixed assets and not being included on the schedule of fixed assets.
- Asset purchases of immaterial amounts being considered as purchases of fixed assets and being included on the schedule of fixed assets.

We suggest that implementation of a policy that would designate expenditures for fixed assets over a certain dollar value, such as \$1,000, as capital expenditures that are to be recorded as depreciable fixed assets. This will set a standard regarding the value of fixed assets that must be recorded as fixed assets. This will avoid confusion regarding what to record as fixed assets and will ensure that all significant fixed assets are properly recorded and insured.

GASB NEW REPORTING MODEL

Governmental Accounting Standards Board Statement 34 establishes new requirements for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions (or who may do so in the future): legislators, their staff, and members of oversight bodies; investors, creditors, and others who provide resources to governments; and citizen groups and the public in general.

Some of the features of the new governmental financial statements include the following: government-wide financial statements prepared using the full accrual basis of accounting, the reporting of all capital assets (including infrastructure), reporting of depreciation of capital assets, fund-based financial statements (similar to the current financial statements), classification of major and non-major funds, and a management discussion and analysis report.

One of the most significant changes resulting from the new reporting model involves the reporting of infrastructure assets. These assets include streets, bridges, and sidewalks. The new reporting model will allow, but not require a local government to inventory and place a value on its infrastructure assets. This process will require a substantial amount of planning and information gathering. While there is still time until the requirements of the new reporting model must be implemented, now is the time to begin to prepare for that process.

Governments with total annual revenues below \$10 million have until the fiscal year ending after June 15, 2004 to implement the new reporting model. However, the conversion to the new reporting model needed to take place at the beginning of the fiscal year. Therefore, the effective date of the Township's conversion to the GASB 34 reporting model is April 1, 2004. Our objective is to make you aware of the new requirements so that you may begin the process of becoming familiar with those requirements and plan for the changes in the information reported in your annual financial statements. As your auditors, we will be available to advise you and assist you in the implementation of the new reporting model prescribed by the Government Accounting Standards Board.

BUDGET AND BUDGETARY PROCEDURES

During our audit, we found a few instances where the Township was not in compliance with P.A. #621 regarding budgeting procedures. The Act provides that a local unit of government not incur expenditures in excess of the amount budgeted. During the year ended March 31, 2004, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts budgeted as follows:

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>UNFAVORABLE VARIANCE</u>
GENERAL FUND:			
Drains at large ✓	\$ 0 ✓	\$ 2,514 ✓	\$ 2,514
Planning and zoning board	0 ✓	481 ✓	481
Zoning administrator	600 ✓	660 ✓	60 ✓
EMERGENCY SERVICES:			
Fire department	65,294 ✓	78,174 ✓	12,880 ✓
LIBRARY FUND	89,915 ✓	107,719 ✓	17,804 ✓
ROAD FUND	266,200 ✓	290,338 ✓	24,138 ✓

A final requirement of P.A. #621 is that the Township's budget be balanced. This means that the total estimated revenues including any available surplus from previous years equal or do not exceed estimated expenditures. In the Emergency Services Fund, for the year ended March 31, 2004, the Township budgeted estimated expenditures of \$149,859 and estimated revenue of \$127,400. Budgeted expenditures exceeded budgeted revenue by \$22,459. The available fund balance carried over from previous years was only \$10,243. As a result, the budget showed a projected fund deficit of \$(12,216) as of March 31, 2004.

In order to avoid incurring expenditures in excess of the appropriated amounts, the Act requires that the budget be amended when necessary. This would include reducing the budgeted amount if actual revenues are less than the estimated revenues originally budgeted, and increasing the budget to allow expenditures in excess of the original budget if excess amounts are available for transfer within the fund or if additional revenues become available. This can only be done if there are periodic comparisons between budget and actual figures throughout the year. We recommend that monthly comparisons be made between budgeted and year-to-date actual revenue and expenditures. If it appears there are going to be unfavorable variances between the budgeted and actual year-to-date figures, the budget should be amended to eliminate the variance.

The above recommendations are being made in an effort to improve the Township's system of record keeping and to aid the Township in conforming to State requirements. If you have any questions regarding these recommendations, please contact us. We are available to assist you with implementing any of the aforementioned recommendations.



NIETZKE & FAUPEL, P.C.
Sebewaing, Michigan

June 30, 2004